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MULTINATIONAL CORPORATIONS, SOCIO-CULTURAL DEPENDENCE AND INDUSTRIALIZATION: NEED SATISFACTION OR WANT CREATION?

Stephen J. Kobrin

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You'd have managed better if you'd had it planned.
Why'd you choose such a backward time and such a
strange land?
If you'd come today you would have reached a whole
nation.
Israel in 4 B.C. had no mass communication.

(Jesus Christ Superstar, MCA Records, 1971)

I. Introduction

One of the major contributions of the dependence litterature is its refusal to disaggregate societal analyses into isolated and self-contained academic disciplines.[1] Dependentistas are concerned with the interpenetration of national economies in terms of productive facilities, technologies, ideologies, political parties, private and government institutions, cultural activities, and consumption patterns.[2] This paper will violate the spirit of that accomplishment by focusing on a rather narrow area within what is known as social or cultural dependence.

Specifically, we will concern ourselves with the role of mutlinational corporations (MNCs) in transferring consumption patterns of advanced capitalist countries to underdeveloped poor countries and the relationship of that phenomenon to the larger question of dependence. The last point is crucial. What has been called the demonstration effect,[3] the extension of consumerist capitalism to poor countries, is not dependence per se; it is a potential mechanism for the maintenance--and perhaps a manifestation--of a dependent relationship. This paper will examine this "mechanism" in detail to attempt to gain a more thorough understanding of its structure and functioning and its role in the creation or maintenance

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of a state (or states) of dependence. It is clear, however, that while concentration on a narrow aspect of reality may facilitate analysis, any conclusions must be drawn in the context of the totality of relationships between societal units.

While dependency theory has been viewed as an alternative development paradigm,[4] in a recent paper Moran has suggested a dialogue between dependentistas and non-dependentistas;[5] that dependency theory be evaluated in terms of research done outside of the dependency framework. This paper will attempt to analyze an aspect of socio-cultural dependence in terms of theories of foreign direct investment, the development of MNCs, and the literature on consumerism in advanced countries.

We will first briefly discuss the phenomenon in question, the transferrence of consumption patterns from rich to poor countries, in terms of the dependence literature. We will then look at the role played by MNCs utilizing the theory of foreign direct investment (FDI). Next we will compare consumerist capitalism in rich and poor countries and try to relate the discussion to the question of dependence in general. Then some empirical data will be reviewed, and, last, conclusions will be drawn.

II. The Demonstration Effect

Many writers consider the transfer of patterns of consumption, taste, demand, etc. from the center (advanced industrial countries) to the peripheral poor countries as an important mechanism for the maintenance of dependency relationships among nominally independent countries. Consumption patterns (and productive tasks) are seen as "radiating out"[6]

from the metropolis and being imposed upon the periphery. As there is a very wide disparity in income and wealth between rich and poor nations, emulation of middle and upper class consumption patterns in the advanced countries is possible by only a small minority of the population of the periphery.[7] Furthermore, given the limited amount of income and wealth in most poor countries, the adoption of advanced country consumption patterns would not be possible if their distribution was relatively even. A concentration of income is thus postulated as necessary to provide a market for the consumer products of advanced countries.[8]

Furtado believes that the transfer of consumption patterns is basic to dependence and underdevelopment. "The formation of a social group (whose relative importance varies, but which is always a small minority of the population) with consumption patterns similar to those of countries with higher levels of productivity becomes the basic factor in the transformation of the peripheral countries."[9] (Emphasis added.) He concludes that increased economic productivity resulting from increased exports of primary products in the peripheral countries produced concentrated benefits (due to structural factors) which enabled a minority to adopt the patterns of consumption created in the rich countries by the industrial revolution.[10] The transfer of tastes, however, occurred without the "corresponding process of capital accumulation and assimilation of technical progress" which resulted in a "transformation of the structure of production and dependence."[11]

Hveem views the demonstration effect or the imposition of patterns of consumption as a control mechanism, an indirect means of

maintaining dependence. Creation of demand for advanced country consumer products induces individuals to accept their roles in a hierarchical productive system.[12] Hymer concludes that the middle class in poor countries are ". . . prisoners of the taste patterns and consumption standards set at the center . . . ."[13]

Multinational corporations are frequently seen as willing vehicles or agents of the transfer. Levitt, writing about Canada--which she considers a wealthy dependent country--makes the case in strong terms.

> Because economies of scale in research, design and technology are realized by spreading costs over total output, the global profitability of the international corporation is assisted by every influence which eliminates the cultural resistance to the consumption patterns of the metropolis; the corporation thus has a vested interest in the destruction of cultural differences and in a homogenized way of life the world over.[14]

MNCs, often through foreign direct investment, are viewed as facilitating and often accelerating the process, taking advantage of their superior marketing and communications techniques and responding to their natural interest in creating or expanding markets for their products.[15] They are perceived as vehicles for the extension of advanced country consumption patterns and thus as agents or mechanisms through which the indirect control associated with dependence is enforced.

We believe that the first point should be readily accepted by scholars who accept and reject dependence arguments. The theory of FDI and research on MNCs in general would support the assertion that international corporations would have an interest in, and given proper conditions,

capabilities which would facilitate, transferring consumption patterns from rich to poor countries. However, the second point, that the transfer results in or aids in maintaining dependency relationships is analytically distinct and must be established separately. Furthermore, if one is to draw policy implications for poor countries, it is crucial to distinguish, or attempt to distinguish, between dependence and the extension of (consumerist) capitalism to the periphery. If a case for dependence is established, it must be shown that consumerist capitalism, which has concerned authors from Marx to Veblen to Galbraith, is a different phenomenon in the periphery than in the center.

III. Manufacturing Direct Investment

Moran suggested that theories of oligopolistic competition among multinational corporations might be utilized to "test" the dependency hypotheses.[16] In this section we shall attempt to demonstrate that an assertion that MNCs are more likely to transfer high income consumer products differentiated on the basis of brand names and advertising from advanced to poor countries than they are to develop products "more appropriate" to host socio-economic realities is consistent with theoretical work on foreign direct investment. Basically, we would like to establish that the phenomenon which we will call the transfer of consumerist capitalism (for want of a better term) exists and is consistent with the logic of FDI.

The existence of the transfer of consumer capitalism is not, however, a sufficient condition for dependence. To establish the latter, one must discuss both its empirical importance, relative to both the total

flow of manufacturing FDI from the center to the periphery and the economy of any given country, and more importantly, how it contributes to the maintenance of indirect control by the dominant unit.

Hymer first noted that FDI can better be explained by the theory of industrial organization than the theory of international capital movements.[17] FDI is a function of imperfections in goods and factor markets; it is found in industries characterized by oligopoly. The foreign investor is inherently at a disadvantage versus host country competitors in terms of knowledge about the local environment (or at least the cost of acquiring it) and the burdens imposed by operating at a distance.[18] Thus, as Kindleberger has noted, direct investment could not exist in a perfectly competitive world. "For direct investment to thrive there must be some imperfection in goods or factors, including among the latter technology, or some interference in competition by government or firms, which separates markets."[19]

The foreign investor must be able to generate, and contain, returns to some advantage versus host country competitors which offsets his inherent disadvantages of foreignness and distance. This implies an oligopolistic market structure and monopoly rents. Caves notes that FDI occurs in industries characterized by either oligopoly with product differentiation where "corporations make 'horizontal' investments to produce abroad the same lines of goods they produce at home" or by oligopoly not necessarily differentiated where firms ". . . undertake 'vertical' direct investments to produce abroad a raw material or other input to their production process at home."[20] We are obviously interested in the former.

Both Caves and Kindleberger observe that horizontal FDI is likely to take place in markets characterized by differentiated products, by goods market imperfections.[21] Competing products are typically distinguished by ". . . minor physical variations, 'brand name' and subjective distinctions created by advertising, or differences in ancillary terms and conditions of sale."[22] Thus, the foreign investor's advantages (which are necessary to provide the monopoly returns needed to offset his disadvantages vis-à-vis host country competitors) are likely to derive from marketing skills including advertising, promotion, product development, and design and packaging.

It should be obvious that the argument does not apply to all manufacturing FDI. The advantage held may well be a function of technology or management capabilities. We would certainly expect that capital goods producers would not rely, at least to a very great extent, on product differentiation and advertising skills. The point is that the dependency argument that foreign investment is likely to result in the introduction of products sold on the basis of marketing skills is consistent with FDI theory. Indeed, marketing skills developed in advanced countries which provide an absolute advantage versus local competitors are a requisite for much horizontal FDI.

What can we say about the nature of products sold in poor countries by MNCs? First, they are likely to be very similar to those sold in the home country. Horizontal FDI represents an attempt to diversify geographically with the same or a very similar line of products. The investor is obviously better off to the extent that previous product

development efforts and marketing knowledge can be exploited with minor modifications. At the other end of the spectrum, if products and marketing capabilities are not transferrable, one would have to question the source of the investor's advantage versus local competitors. Product diversification across national boundaries would be unlikely.[23]

Second, the product life cycle hypotheses[24] would suggest that goods sold by advanced country firms, either through export or FDI, are those likely to be developed in response to conditions in the home country. In the U.S. case it is argued that products have been developed in response to 1) a shortage or relatively high cost of labor and 2) relatively high consumer incomes.

U.S. innovators would thus be most likely to come up with products which appeal particularly to high income consumers or products and processes which save on expensive labor.[25]

The model, which we will describe only very partially, is based upon the very realistic assumption that there is not a free flow of information across national boundaries. That being the case, it is argued that 1) new product innovation is likely to occur in or near markets where there is strong potential demand, and 2) an entrepreneur is more likely to supply risk capital for the production of new products in his (or her) home market.[26] If one accepts the model, or at least the portions of it we have discussed, one can easily conclude that new products developed in any given market are likely to reflect the characteristics of that market.

Thus, we would argue that a second point put forth by dependentistas is supported by, or at least does not conflict with, existing theory. One would expect U.S. investors to produce products which are designed to appeal to a relatively high income consumer market. In terms of strategy, one could support a contention that, in general, they would seek a relatively high income segment of consumers in a poor country rather than develop a product designed to appeal to the lower income mass.[27] Furthermore, given the choice, they should prefer a maldistribution of income which results in a reasonably large high income segment to a more even distribution which results in a homogeneous population of very moderate income. That conclusion does not either imply or disavow that MNCs either consciously foster (oppose) income concentration (redistribution) or prefer a rich elite and a poor mass to a more even distribution with a large middle class resulting from growth.

In summary, we can say that the dependency hypothesis that MNCs transfer consumer capitalism--differentiated products which are designed to be sold to relatively high income consumers and supported by relatively heavy advertising--is consistent with various theories of the MNC. We now turn to a closer look at what we have rather loosely called consumerist capitalism and its relation to dependence.

IV. Consumerist Capitalism

> In a world of artificially created wants we are, however, entitled to question the rationale of the assumption that an increase in national income and expenditure constitutes an improvement in the welfare of the nation.[28]

Once one backs away from the doctrine of consumer sovereignty, which Levitt obviously does with vengeance, one opens a Pandora's box of metaphysical distinctions between the physiological and psychological, the internal and the external determination of needs or wants. Regardless of the merits of their arguments, it is clear that the dependentistas were neither the first to raise the lid nor the first to express consternation over the implications for society of the furies which swarmed out.

Marx clearly saw a multidirectional flow between production and consumption.

> Production not only supplies the want with material, but supplies material with a want . . . . Production thus produces consumption: first, by furnishing the latter with material; second, by determining the manner of consumption; third, by creating in consumers a want for its products as objects of consumption.[29]

Veblen also had little faith in the independence of production and consumption. He noted that, ". . . the idiosyncrasies of the individual consumers are required to conform to the uniform gradations imposed upon consumable goods by the comprehensive mechanical processes of industry."[30] While he, perhaps unfortunately, lived before the age of mass marketing, he nonetheless saw a clear separation between basic needs and artificial, societally induced wants.[31]

The most articulate, and certainly the most vociferous, critic of the industrial capitalist system's tendency to rely on demand created by the productive system (and of mainstream economists' views on the matter) is certainly Galbraith. Following Marx and Veblen, he concludes that production and consumption are not independent; rather ". . . production

induces more wants and the need for more production."[32] In what he (interestingly from our point of view) calls the dependence effect, wants are created either passively by suggestion or emulation or actively through advertising and salesmanship on the part of producers.[33] In his later work, Galbraith tends to concentrate on the active mechanism.

The dependence effect is seen as arising from structural conditions; from the tendencies towards increasing affluence and industrial concentration, and the need for increases in production associated with advanced industrial capitalism. Galbraith notes that one would normally expect increasing affluence to result in a diminished demand for goods. "In the absence of the massive and artful persuasion that accompanies the management of demand, increasing abundance might well have reduced the interest of people in acquiring more goods."[34]

The consequence, a lower propensity to consume, would result in difficulties for the system in terms of limits on both overall expansion or growth and the motivation of individuals to "work without any limiting horizon to procure more goods."[35] "Advertising and its related arts thus help develop the kind of man the goals of the industrial system require--one that reliably spends his income and works reliably because he is always in need of more."[36]

The development of effective advertising is also seen as a function of advanced industrial capitalism. First, from the point of view of the consumer, affluence means one is relatively receptive to appeals; "(T)he further a man is removed from physical need the more open he is to persuasion . . . as to what he buys."[37] Second, Galbraith--and

most others--associate advertising, and non-price competition in general, with the rise of oligopoly.[38]

Thus, many of the arguments of the dependentistas concerning what we have labelled consumerist capitalism are certainly not restricted to the periphery. In fact, the opposite conclusion, that the phenomenon is a function of industrial capitalism per se, appears as reasonable. Wants are seen as induced by the productive system through advertising, through non-price competition by firms in oligopolistic industries. Goods are also seen as inappropriate for the societies in which they are sold. Galbraith's argument that the dependence effect results in private consumption at the expense of public spending, on much needed improvements in the educational system for instance, is well known.

It would appear that one could reasonably argue that consumerism, the creation of wants through advertising, is a function of capitalist industrialization per se and that what the dependentistas call cultural imperialism (or at least the portion of it we are concerned with) represents only the extension of capitalist industrialization to poor countries. One would expect, and I have argued extensively elsewhere,[39] that MNCs would be a singularly effective vehicle for the transfer of the institution of industrialization--the social structures and individual values and attitudes associated with it as well as technology--from rich to poor nations.

Thus, while one may or may not prefer to see capitalist industrialization in general, or consumerist capitalism in particular, implanted in poor countries, one cannot assume a priori that either is

synonymous with dependence. If the concept of socio-cultural dependence, in the limited sense in which we are using it, is to have meaning, one must demonstrate that consumerist capitalism differs in a phenomenological sense in the center and periphery. It is to that task that we now turn.

V. Dependence and the Dependence Effect

Lall notes that if the concept of dependence is to have analytical value, it must, "(1) lay down certain characteristics of dependent economies not found in independent ones and (2) these characteristics must be shown to affect adversely the course and pattern of development of dependent countries."[40] The fact that tastes and consumption patterns of the center are replicated by elites in the periphery, even if one assumes that MNCs are central agents of that replication, is not sufficient to demonstrate dependence. As Lall observes, the tastes of elites are typically alienated from those of the mass; that is, after all, one of the distinctions between the two. Furthermore, one can think of many instances of elite tastes being dominated by those of another culture--the imperial Russian nobility spoke French, and the American upper classes (at least in the East) have been known to ape the British aristocracy.

First, we must establish what we mean by dependence. It clearly implies some sort of asymmetrical relationship, a social relationship where one unit exercises control over and accumulates value from another.[41] Furthermore, dependence in the sense it is used in this paper typically implies indirect control rather than the direct control enforced through colonial empire.

Dos Santos provides a good working definition:

> By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relationship of interdependence assumes the form of dependence when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion.[42]

Thus dependency implies both a reduction in the capability to determine policy autonomously (which would be true of interdependence as well) and an asymmetrical relationship where one social unit is able to constrain, either directly or indirectly, the development of another--presumably to the former's net benefit. It should also be clear that once one moves away from either autarky or a state of interdependence between two perfectly balanced entities, dependence will probably be the norm and its extent a matter of degree rather than kind.[43] We would also accept the point that dependence does not require a conscious policy of exploitation; it may well be structural.[44]

The question then is how does the establishment of consumerist capitalism in the periphery either establish or reinforce the center's ability to exert control? The most obvious answer, that goods are introduced which are either culturally alien or inappropriate given societal needs or both, merely describes the process. It, in itself, does not imply a state of dependence. It begs the question of how the mechanism works. Furthermore, the argument applies to the center as well. Galbraith and others have made the point that goods sold on the

basis of artificial wants created through advertising are inappropriate; that they do not really meet the basic needs of society.

Similarly, Hveem's argument that inducing a demand for consumer goods provides a mechanism which insures that individuals will accept ". . . those tasks in the production and distributive system allocated them"[45] would not seem to differentiate between center and periphery. We would submit that to the extent that the implantation of consumerist capitalism in the periphery--what Sunkel has called the "overwhelming and systematic promotion and publicity of conspicuous consumption capitalism (by the transnational firm)"[46]--contributes to dependence, it does so because of differences in the nature of the productive system (in the periphery versus the center) rather than differences in the phenomenon per se.

As we noted above in the discussion of the product life cycle hypothesis, the development of new products in the industrialized countries is likely to be functionally related to internal production and market conditions. They are likely to be developed through indigenous R&D efforts and, at least in the U.S. case, to reflect the existence of relatively affluent consumers and a relative scarcity of labor.

While the patterns of consumption in advanced industrial countries may or may not be either artificial or inappropriate, they are a direct function of product and process technology in those countries. While consumption of consumer products may divert both funds and attention from more important needs, their development is typically a result of indigenous R&D efforts and their production, or rather its growth, results in the indigenous accumulation of capital.

The situation is quite obviously different in the periphery. First, as Furtado notes, in the absence of local production, ". . . this process of adoption of patterns of consumption . . . occurs without the corresponding process of capital accumulation and assimilation of technical progress in productive methods."[47] How does the situation change if the goods are produced locally? Let us assume that foreign direct investment takes place, and that a net accumulation of capital results.

We would have to agree with Furtado that even with foreign direct investment, there are still discontinuities between consumption and production. The products, now produced locally, are not functionally related to indigenous technological capabilities, to the local production process, or to the capabilities of local firms. We would posit that the first and third have the most important ramifications vis-à-vis dependence.

The second point is heard frequently; consumer durables or high income consumer products in general either require (or are typically produced with) more capital intensive production processes than do products designed for mass consumption.[48] Thus, the introduction of these products may result in inappropriate production technologies given local factor endowments. If that is the case, if relatively capital intensive production processes are imported as a result of consumerist capitalism, then some degree of technological dependence is likely to follow. It is probable that the host society will not have the capacity to design, build, modify, or even to maintain the productive machinery. They will thus be technologically dependent on an advanced economy, and that dependence will be exacerbated to the extent that demand for high income consumer goods either exists or is created.

It would seem, however, that this issue transcends the question of cultural dependence. The literature on technology transfer is complex and vast. Many explanations for the transfer of inappropriate technology have been advanced,[49] and it is not clear that the transfer of consumerist capitalism plays the, or even a, leading role. Perhaps more importantly, it would appear that an inappropriate production technology does not necessarily follow from the introduction of these products. While the question of factor substitutability has not been resolved,[50] it is at least possible that a proper framework of regulation could result in more labor intensive production processes.[51]

We would suggest that the discontinuity between production and the capacity for innovation represents a more powerful explanation of the link between consumerist capitalism and dependence. The transfer of the capacity to produce to the periphery typically does not result in a transfer of the capacity to innovate: either to develop or perhaps even to improve the products themselves. MNCs are likely to centralize the R&D effort in the home country. This tendency is exacerbated by the nature of the product in question.

First, if the products are developed in response to the "needs" of relatively high income consumers, then it is likely (if one accepts the product life cycle hypothesis) that innovation is likely to occur in the large home markets. Second, the industries we are interested in are likely to be characterized by oligopoly, product and not price competition, and products differentiated via either minor differences or marketing campaigns.

The advantages foreign investors hold vis-à-vis local competitors are likely to be found in the areas of product development and marketing skills. Given, as FDI theory holds, that foreign investors require this source of monopoly rents to exist, it is unlikely that they will willingly transfer their concomitant technological skills to host countries. It would be to their disadvantage, unless they are absolutely positive that the skills will remain proprietary. Given the mobility of personnel and a tendency towards competitive emulation, that is unlikely. Thus, the periphery is likely to be and remain dependent upon the center as a source of new and improved products. And, if one accepts the basic hypothesis, they are likely to be products for which there is a considerable demand.

Similarly, to the extent that marketing knowledge and skills are not transferred to the host country--and given the argument above there is no reason to expect that they would be--the periphery will remain dependent upon the center. However, it is obvious that this argument, while correct, also represents a tautological fallacy vis-à-vis dependence as we have defined it. The essence of the phenomenon we are concerned with is the creation of demand through marketing techniques. Definitionally, the transfer of consumerist capitalism cannot be a creation of the periphery: it has to entail both products and marketing skills developed in the center. It is those skills which allow the transfer in the first place.

On the other hand, to the extent that the marketing skills remain proprietary and contained, to the extent that the capacity to utilize them effectively does not exist in the periphery, consumerist

capitalism cannot become a totally indigenous phenomenon--even in the absence of new product innovation. Furthermore, one cannot separate product development and marketing; in the industries we are concerned with they are really part and parcel of the same process. Product improvements are likely to represent a means for differentiation through advertising rather than functional product change. Thus, to some extent, the dependence of peripheral countries on the center for products and innovation in general may be reinforced.

There is one additional question which must be explored: the relationship between consumerist capitalism, MNCs, and income distribution. As noted above, one would expect a relationship between consumerist capitalism--the transfer of high income consumer products--and an inequitable distribution of income in the periphery. In a relatively poor country a market for those products would not exist if income (and wealth) were evenly distributed. However, the issue at hand is dependence. Thus, to relate consumerist capitalism and income distribution in the periphery with dependence, one must establish a causal link. One must show that the introduction of these products, and the creation of the necessary demand, either negatively affects the distribution of income or acts to restrain host country attempts at remedial action.

At this point the question is problematic; much work needs to be done before one can establish a causal hypothesis. Again, we are accepting the likelihood of a correlation: the issue is causality. There are at least two lines of argument. The first would assume that once a pattern of consumption of center products by high income elites

is established that efforts to redistribute income would be inhibited. To the extent that economies are relying on FDI producing high income consumer goods as a major part of their industrialization effort, any shrinking of the market would have adverse effects in terms of growth, investment, and employment. There might thus be a tendency to avoid redistribution, but rather to rely on absolute growth in income to alleviate the plight of poorer segments of the population.

One also cannot ignore the comprador or bridgehead elite thesis.[52] It is not unreasonable to anticipate a mutuality of interest: neither MNCs nor the current elites would benefit from a redistribution, and MNCs may well lend support to those who would not at the expense of those who would. The presence of MNCs producing high income consumer products may thus affect the balance of power between those favoring and those opposing redistribution.

Second, one could make an even stronger argument: that a government pursues policies resulting in an inequitable distribution of income in order to industrialize via foreign direct investment in industries producing high income consumer goods. If one believes that the structure of the international economic system is such as to place severe limitations on indigenous industrialization, then the maldistribution of income would certainly be a function of dependence.

Mericle argues that point in the context of the development of the auto industry in Brazil. He observes that by 1967 the regime needed to restore real growth to the economy in order to develop a broader political base. Thus, a decision was taken to industrialize via the promotion of automobiles and other expensive consumer durables. He concludes:

> The major economic problem of the consumer durable sector was one of insufficient demand. . . . the government simply created effective demand making consumer credit available and following a number of policies which contributed to income concentration. By transferring effective purchasing power to the upper and upper-middle classes, the military simultaneously created a market for consumer durables and developed a base of political support.[53]

VI. The Data

It is obvious, given the nature of the subject matter and problems of availability and quality of data, that we cannot "test" a theory of cultural dependence.[54] Rather, we will review what data is available with the objective of attempting to determine whether it is consistent or inconsistent with the arguments presented above. Furthermore, we shall be restricted to looking at relationships between consumerism, foreign direct investment, and, to a more limited extent, the distribution of income. We shall not be able to operationalize the dependence effects of the transfer of consumerist capitalism.

Relationships are examined across a group of forty-eight non-socialist bloc developing countries which were sovereign, met certain size minimums, and had attracted at least one million dollars' worth of U.S. manufacturing direct investment as of year-end 1967.[55] The indicator of FDI utilized is the Harvard projects' measure of the number of new manufacturing subsidiaries of U.S. multinationals.[56] While the indicator has its drawbacks--the major one being that it is based upon the number of subsidiaries rather than enterprise size--the Harvard data can be disaggregated by industry within each host country.

This allows total FDI in each host country to be subdivided by advertising intensity of industry of the subsidiary which is obviously germane to this research.

Consumerist capitalism is operationalized through an index combining passenger cars and television sets per thousand of population with each equally weighted.[57] Last, the measure of income distribution utilized is the percentage of income received by the top 20% of the population.[58] It should be noted that there are major problems with this indicator. First, it is available for only thirty-two of the forty-eight countries included in the analysis, and this "sub-sample" is biased towards the more developed countries. Second, while the "modal" observation is the mid-sixties, there is considerable variation in the time of the observations. Third, the observations are not all directly comparable. While most reflect a national sample on a household basis, some countries utilize individuals and/or the economically active population as a base. Any findings regarding income distribution must thus be viewed as extremely tentative.

As noted above, we intend only to review the data in an attempt to shed some light on the transfer of consumerist capitalism to the poor countries and the role MNCs play in that process. First, consumerist capitalism, at least in terms of auto and television ownership, appears to be associated directly with economic development (in the narrow sense of the term) in the countries included in the analysis. The simple correlation coefficient between the index of consumption and GNP _per capita_ (both measured in 1966) is .82.[59] Thus, income _per capita_ alone accounts for 67% of the variance in the index of consumption.

A direct relationship could not be established between the index of consumption and the share of income held by the top 20% of the population (Top 20). However, given the limited sub-sample and the difficulties with the indicator, one cannot draw inferences from this result. The former is quite important as the distribution of missing values for Top 20 is far from even. The indicator is not available for 57% of the African countries, 23% of the Asian countries, and 22% of the Latin American countries included in the analysis. As can be seen in Table 1, the index of consumption (Cons) and Top 20 were both significantly correlated with regions.[60]

Table 1

Correlations With Region

	Cons	Top 20
Africa	-.25**	N.S.
Asia	-.25**	-.42*
Latin America	.43*	.47*
GNP/C	.82*	N.S.

*significant at .01; **significant at .05.

While a direct relationship between Cons and the index of income concentration cannot be established, the fact that they both correlate positively moderately strongly with the dummy variable representing Latin America and negatively with Asia is of interest. (While other work has suggested a curvilinear relationship between income per capita and income concentration of the form $y = x + x^2$, no relationship could be established in this study.[61])

We now turn to the role played by FDI. As both theory and previous empirical work[62] suggest that manufacturing FDI is to a large extent a function of income, the raw variable (number of manufacturing subsidiaries) was normalized by Gross Domestic Product arising from the manufacturing sector. Thus, the three indicators used are relative measures: manufacturing FDI, manufacturing FDI in high advertising intensive industries, and manufacturing FDI in low advertising intensive industries, all per dollar of manufacturing GDP. The three variables, designated FDI, HIGHADV, and LOWADV, respectively,[63] represent stocks or the total number of subsidiaries accumulated as of 1966 and 1975.

Table 2 contains simple correlations coefficients for the relative measures of FDI and indicators of consumption, income, and income distribution.

Table 2

Correlation Matrix for Indicators of FDI

	FDI	HIGHADV	LOWADV
GNP/C	.34*	.29*	.38*
Top 20	.44*	.40*	.46*
Cons	.38*	.33*	.39*
Africa	-.25	-.24	-.25
Asia	-.30	-.23	-.19
Latin America	.56*	.51*	.47*

*significant at .01; all others significant at .05.

The results are interesting for several reasons. First, FDI normalized by income is, as one would expect, a positive function of income per capita. Second, FDI is also a positive function of consumption. However, as consumption and GNP/C are closely related (R = .82), the relationship is not surprising. Third, the regional variation in FDI follows a pattern one would expect from both regional variations in income and preferences of U.S. investors for more familiar areas--in both a geographic and cultural sense.[64]

The moderately strong positive correlation between FDI and a concentration of income is quite significant. (The relationship cannot be established for the on non-normalized indicators.) Thus, we can conclude that controlling for market size (GDP) FDI is positively associated with both higher per capita incomes and a greater concentration of income in the top 20% of the population.

The differences between high and low advertising intensive investment are surprising; one would have expected high advertising intensive FDI to be more strongly associated with consumption and the index of income concentration. Again, however, the results are difficult to interpret. For example, low advertising intensive subs may well be large--it may take less of them to produce the same output. When one looks at non-normalized indicators of high and low advertising intensive FDI, the association with consumption is stronger for the former than the latter.[65]

In addition to exploring direct relationships between indicators of consumption, income, and foreign investment, we can look at differences between countries where there is a relatively high level of consumption

per capita (again, specifically of automobiles and television sets) and those where it is relatively low. We can ask how well indicators of income per capita and FDI discriminate between the two groups of countries.[66]

Using multivariate techniques, a function--a linear combination of variables--can be derived which discriminates between two or more groups.[67] In this case discriminant analysis is utilized to derive a function which will discriminate between low and high consumption countries based upon GNP per capita and normalized indicators of low and high advertising intensive FDI.

Table 3 contains relevant statistics resulting from the analysis.

Table 3

Results of Discriminant Analysis

Independent Variables	Univariate F Ratio	Standardized Discriminant Coeffici
GNP/C	65.9	.88
HIGHADV	11.4	.41
LOWADV	11.0	-.13

For the Discriminant Function:

Chi^2	Canonical Corr.	Centroids	
		Group 1	Group 2
46.38	.81	-.73	.87

(Significant at .000)

The results are of interest. First, the function derived from the three independent variables quite accurately discriminates between low (Group 1) and high (Group 2) consumption countries. The Chi squared

statistic for the derived function, and the univariate F ratios (considering each independently) for each of the independent variables are highly significant. The canonical correlation coefficient is .81, and applying the derived function to the original data results in the "correct" classification of 94% of the cases.[68]

As would be expected, GNP/capita dominates the function with a standardized coefficient of .88, over twice that of the normalized indicator of high advertising intensive FDI. The indicator of low advertising intensive FDI is of minor importance with a coefficient of .13. However, the sign of the latter is negative. Thus, while both low and high advertising intensive FDI are positively associated with consumption (again, perhaps because both are positively correlated with income) their effects differ when one attempts to discriminate between low and high consumption countries. As the function as a whole is negative for Group 1, low consumption countries tend to score higher on low advertising investment than do high consumption countries.

It must be noted that the last finding is based upon rather weak evidence and must be viewed as highly tentative. First, the coefficient of LOWADV is quite small when compared to both HIGHADV and GNP/C. Second, while it is significant on a univariate basis, when one utilizes a stepwise discriminant procedure, the multivariate F of LOWADV is not large enough to warrant inclusion.[69]

One other finding is of interest. The Harvard project has recently made data through 1975 available. We can thus look at the relationship between consumption levels in 1966 and the change in high and

low advertising intensive FDI (not normalized by GDP) from 1966 to 1975. The results are shown in Table 4.

Table 4

Correlations Between Changes in FDI and Consumption

	Consumption (1966)
Δ FDI	.42
Δ HIGHADV	.51
Δ LOWADV	.34*

*Significant at .05; others at .01.

As can be seen, there is a much stronger association between the flow of high advertising intensive FDI over the nine year period and consumption levels at the beginning of the period than there is for low advertising intensive FDI. The results are virtually identical when one looks at relationships between the two flow variables and consumption levels at a point near the end of the period (1973).

In summary, it would appear that the data are consistent with the major propositions advanced above. Consumerism, the consumption of expensive consumer durables, is associated quite strongly with higher levels of income per capita in the non-socialist developing countries included in the study.[70] FDI is a function of market size, and, holding market size (GDP) constant, FDI is positively associated with higher per capita incomes and a greater concentration of incomes among the top 20% of the population. While the differences between high and low advertising intensive FDI are much less clear, it appears that

there is some basis for postulating a relationship between levels of consumption and advertising intensity of FDI.

VII. Conclusions

As noted at the outset of this paper, any conclusions must be drawn in the context of the totality of inter (and intra) societal relationships rather than in the limited area we have been concerned with to this point. First, however, we can conclude that the application of theory outside of the dependency framework to the problems of dependentistas can be valuable--it can help to isolate critical points of contention.

Both traditional theory and dependency analysis would predict the same behavior by geographically diversified MNCs engaged in the production of consumer products. They will tend to transfer products which have been developed in response to conditions in advanced countries (with minimal modifications), which are differentiated on a non-price basis, and which are supported by intensive advertising and marketing. Given the need for higher income consumers, under conditions of low *per capita* income they will prefer (*ceteris paribus*) markets where income is concentrated to those where it is not.

We would also expect that analysts on both sides of the argument would agree that the third world's situation is a result of neither accident nor conspiracy, but of structural conditions. They would, however, disagree over both the interpretation of past events and the cause (and effects) of current conditions.

It would appear that many of the dependentistas' arguments apply to the extension of industrial capitalism to third world countries rather than to the "dependent" relations which result. Again, complaints about the rise of large enterprises with considerable market power, the difficulties in societal control of corporations, the creation of artificially induced wants, the failure of materialism and are heard as frequently in the center as in the periphery. More specifically, many of the dependentistas' concerns relate to the replication of capitalist industrialization in the form it has taken in the center.

It also would appear that many of the problems of dependence are a function of integration into an interdependent international economic system and affect center and periphery alike. As noted above, once one moves from the idealized extremes of either autarky or interdependent relationships among perfect equals, asymmetrical relationships result. While dependence is a reality, it is also a matter of degree.

There are, however, major differences between the periphery and the industrialized center. While integration into the international economic system restricts any sub-unit's freedom of action, conditions exist in the periphery which make independent decision-making even more difficult. Whether they are a result of the superimposition of the institutions of industrialization on relatively traditional societies (of rapid industrialization) or of the simultaneous development of the center and underdevelopment of the periphery, or some combination of both, crucial discontinuities exist between the productive system and other aspects of society in poor countries.

Mechanisms such as the transfer of what we have called consumerist capitalism do have different effects in the periphery. They do serve to increase the reliance of poor countries upon the advanced for research and development, for productive technologies, and for managerial techniques. By doing so, they exacerbate reliance on exogenous capabilities, and under certain conditions they may inhibit the development of indigenous resources. The net result is to increase the cost of achievement of alternative goals, of alternative patterns of development.

Unfortunately, this line of argument quickly leads to pure speculation. While there has been a long history of objection to the "consumerist mentality" in the West by intellectuals, some public and quasi-public officials, and, for a brief period, the children of the middle class, little has changed. The only curbs on consumption of luxury products and advertising expenditures have been depression, more recently inflation, and perhaps the "petroleum crisis". However, in no case have these curbs led to an alternative employment of resources. There has just been less available.

In theory, however, if an advanced industrial nation wanted to alter its course of development, it could redeploy its resources to that end. The argument is familiar. R&D could be turned towards developing longer-lasting and safer products, or one could build schools rather than snowmobile plants.

The situation obviously differs in the periphery. Again, we do not believe the exogenous determination of wants is crucial. Once one moves away from consumer sovereignty, differences become one of degree

rather than kind. However, what is crucial is that dependence on external capabilities is exacerbated. One cannot reallocate resources which do not exist. If a society relies upon external sources for research and design, for productive technologies, and for managerial skills, then its choices do not involve how to allocate the resources but rather whether to accept them in the form in which they are offered or to reject them. The cost of altering the path of development is higher than it is in the center.

It is important to note that our concern is not with reliance on outside sources of technology. It would be absurd to reinvent the wheel indigenously. Furthermore, we are not, at this point, concerned with the appropriateness of the technology transferred. Rather, we are concerned with structural conditions which result in the transfer of aspects of technology, such as high income consumer products, without the development of concomitant indigenous capabilities. The critical point is how complete is the transfer?

Thus, we would agree that the transfer of what we have called consumerist capitalism to the periphery can exacerbate dependency relationships. It can result in a discontinuity between production and consumption that inhibits the development of indigenous resources.

We will conclude by briefly discussing policy implications. First, it is clear that if a society rejects capitalist development per se, dependence is relevant only as either a reason for or an obstacle to an alternative. However, the choice is not simply revolution or dependent development. Once the implications of dependence are understood, actions can be taken to lower the costs and increase the benefits

of integration into the international economic system. As Bill Warren has pointed out,[71] political independence has and does make a difference. Poor countries are becoming increasingly sophisticated in their dealings with the West, especially in the area of the determination of conditions for entry and regulation of MNCs. While this is more evident in the extractive sector where control over natural resources provides an undeniable advantage, control is being exercised over manufacturing enterprise.[71]

The question is not whether objectives of MNCs and host countries conflict. The objectives of most participants in economic transactions conflict. Rather, the important issues are whether a sufficient overlap exists to allow a mutually advantageous agreement, whether and the relative strengths of the parties are conducive to negotiation. One cannot expect equal relations between unequal actors. One can expect that increasing sophistication and knowledge on the part of nations in the periphery, including a more complete understanding of their relationship with the center, will help reduce the costs and increase the benefits derived from such a relationship.

Footnotes

[1]There is by now a vast and growing literature on dependence or neo-colonialism that reflects a variety of viewpoints and approaches. See Robert I. Rhodes, ed., Imperialism and Underdevelopment: A Reader (New York: Monthly Review Press, 1970) for a collection of earlier readings and Adrian Foster-Carter, "From Rostow to Gunder Frank: Conflicting Paradigms in the Analyses of Underdevelopment," World Development, 4 (March 1976): 167-180 for a more recent review.

[2]Osvaldo Sunkel, "Big Business and Dependencia: A Latin American View," Foreign Affairs, 50 (April 1972), p. 519.

[3]Thomas E. Weisskopf, "Capitalism, Underdevelopment, and the Future of the Poor Countries" in Jagdish N. Bhagwati, ed., Economics and World Order (New York: The Free Press, 1972), p. 47.

[4]Foster-Carter, "Conflicting Paradigms . . . ."

[5]Theodore H. Moran, "Multinational Corporations and Dependency: A Dialogue for Dependentistas and Non-dependentistas," Johns Hopkins School of Advanced Studies, 1975. (Unpublished).

[6]Helge Hveem, "The Global Dominance System," Journal of Peace Research, 4 (1973), p. 333; Stephen Hymer, "The Multinational Corporation and the Law of Uneven Development" in Bhagwati, ed., Economics and World Order, p. 114.

[7]Weisskopf, "Capitalism, Underdevelopment . . .," p. 47.

[8]The statement merely acknowledges that MNCs will seek a market for their products, and that under certain conditions it is likely to be a high income segment of the population of a poor country. It does not imply either acceptance or rejection of the argument that MNCs create or maintain unequal patterns of income distribution. That is an empirical question which cannot be settled given the available data.

[9]Celso Furtado, "The Concept of External Dependence in the Study of Underdevelopment" in Charles K. Wilber, ed., The Political Economy of Development and Underdevelopment (New York: Random House, 1973), p. 119.

[10]Ibid., pp. 118-119.

[11]Ibid, pp. 119-120. Also, Harry R. Targ, "Global Dominance and Dependence, Post-Industrialism and International Relations Theory," International Studies Quarterly, 20 (September 1976), p. 471.

[12]Hveem, "The Global Dominance System," p. 333.

[13]Hymer, "The Multinational Corporation . . .," p. 131.

[14]Kari Levitt, Silent Surrender (New York: St. Martins Press, 1970), p. 22.

[15]Hveem, "The Global Dominance System," p. 333; Hymer, "Multinational Corporations . . .," p. 125; Weisskopf, "Capitalism, Underdevelopment . . .," p. 50.

[16]Moran, "Multinational Corporations and Dependency."

[17]See Charles P. Kindleberger, American Business Abroad (New Haven: Yale University Press, 1969), p. 11. For the purposes of this paper we can define FDI as equity investment sufficient to provide some degree of managerial control extended across national frontiers.

[18]A direct investor must accept the loss of diversification benefits which accompany portfolio investment if he is to concentrate assets to the point where managerial control is achieved. Since the managerial control implies a cost in terms of increased investment risk, it must then be utilized to gain increased returns. Its exercise, across distances and in unfamiliar environments, however, entails costs a comparable local investor would not face.

[19]Kindleberger, American Business Abroad, p. 13.

[20]Richard E. Caves, "International Corporations: The Industrial Economics of Foreign Investment," Economica, February 1971, p. 1.

[21]Caves, "International Corporations," p. 5; Kindleberger, American Business Abroad, p. 14.

[22]Caves, "International Corporations," p. 5.

[23]Ibid., p. 3.

[24]For an introduction see Louis T. Wells, Jr., ed, The Product Life Cycle and International Trade (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1972).

[25]Ibid., p. 6.

[26]Ibid.

[27]There are, of course, obvious exceptions. Coca-Cola, for example, sells a mass product worldwide.

[28]Levitt, Silent Surrender, p. 22.

[29]Karl Marx, A Contribution to the Critique of Political Economy (Chicago: Charles Kenand Company, 1904), p. 280.

[30]Thorstein Veblen, The Theory of Business Enterprise (New York: Charles Scribner's Sons, 1923), p. 11.

[31]Veblen notes that "unproductive consumption of goods is honorable, primarily as a mark of prowess and human dignity . . . ." Theory of the Leisure Class (New York: Mentor Books, 1953), p. 61.

[32]John K. Galbraith, The Affluent Society (Cambridge: The Riverside Press, 1958), p. 159.

[33]Ibid., p. 158.

[34]John K. Galbraith, The New Industrial State (New York: Signet Books, 1968), p. 219.

[35]Ibid.

[36]Ibid.

[37]Ibid., p. 212.

[38]Ibid., p. 214.

[39]See Stephen J. Kobrin, "Foreign Direct Investment, Industrialization and Social Change," Journal of Conflict Resolution, 20 (September 1976): 497-522.

[40]Sanjaga Lall, "Is Dependence a Useful Concept in Analyzing Underdevelopment?" World Development, 3 (1975), p. 800.

[41]Hveem, "The Global Dominance System," p. 320.

[42]Theotonio Dos Santos, "The Structure of Dependence," American Economic Review, 60 (May 1970), p. 231.

[43]Cohen notes that "Dependence is a matter of degree rather than kind: economies are more or less dependent, rather than absolutely dependent or not." Benjamin J. Cohen, The Question of Imperialism (New York: Basic Books, 1973), p. 191.

[44]Knorr disagrees. "We insist that there is no neocolonialism unless there is an effective use of power for deliberately establishing and maintaining an exploitative relationship." Klaus Knorr, The Power of Nations (New York: Basic Books, paperback edition, 1971), p. 255.

[45]Hveem, "The Global Dominance System," p. 333.

[46]Sunkel, "Big Business and Dependencia . . .," p. 528.

[47]Furtado, "The Concept of External Dependence," p. 119.

[48]While the argument that luxury consumption products require capital intensive production processes is made quite often, little empirical evidence is seen to support the allegation. Furthermore, even if--as we would suspect is the case--luxury consumption products are produced with relatively capital intensive production products, the association does not prove causality. The products and their production may be distinct entities; one may be able to produce them with a variety of factor proportions. Thus, there may well be two separate policy issues at hand; whther one wants to allow the sale of luxury products affordable by only a minority of the population, and whether one wants to control the capital intensity of their production process. Thus, an objection to the transfer of "inappropriate" production technology alone may not justify prohibiting the sale of the final products.

[49]The question of the appropriateness of technology transferred has received a great deal of attention. One can develop a reasonable prima facie argument that much productive technology imported by foreign investors (and others) is inappropriate given factor proportions and the technical capabilities found in the host country. However, the issue is considerably more complex; the interests of investors and the host society may well diverge. Investors may be concerned with a shortage of an industrial labor force, training costs, and with utilizing past experience, all of which may lead them to a solution which is less than optimal from a societal point of view. See Louis T. Wells, "Economic Man and Engineering Man: Choice of Technology in a Low Wage Country," Public Policy, Summer 1973, for a good discussion of the issue.

[50]For a discussion of factor substitutability see Nathan Rosenberg, "Factors Influencing the Payoff to Technological Innovation," National Science Foundation, 1976. (Unpublished).

[51]We recognize that dependentistas would argue that regulation requiring more labor intensive production processes is unlikely given a mutuality of interests between foreign investors and elites in the host country.

[52]For discussion of the bridgehead elite concept see Johan Galtung, "A Structural Theory of Imperialism," Journal of Peace Research, 8 (1971): 81-117.

[53]Kenneth S. Mericle, "The Brazilian Motor Vehicle Industry: Its Role in Brazilian Development and Its Impact on United States Unemployment," Cambridge: Sloan School of Management, 1975. (Unpublished).

[54]Measurement of socio-economic concepts, on an aggregate basis, and across a relatively large number of poor countries involves severe conceptual and practical difficulties. One must thus question the accuracy, validity, and, importantly, the comparability of the raw data. See John Gillespie and Betty A. Nesvold, "An Introduction to Macro Cross-National Research" in Gillespie and Nesvold, eds., Macro Quantitative Analysis: Conflict Development and Democratization (Beverly Hills: Sage Publications, 1971).

[55]Only countries that met size minimums--a population of over one million and a GNP of at least $500 million--were included to insure comparability of national units. 1967 was selected as the date of cross section because of data availability. The Harvard Business School made data through 1975 available while this analysis was in progress. However, the only complete compendium of FDI in poor countries is for year end 1967. (OECD, "Stock of Private Direct Investments in Developing Countries End 1967," Paris: OECD, 1972.).

[56]The Harvard Business School's Multinational Enterprise Study reports data on foreign subsidiaries of 187 major U.S. manufacturing enterprises. A subsidiary is defined as a company in which a parent owns at least five percent of the equity. For this study, industries which were either part of the extractive sector or involved in the processing of raw or primary materials (e.g., oil refineries and steel mills) were eliminated and the remaining subsidiaries classified by advertising intensity of industry. See James W. Vaupel and Joan P. Curhan, The Making of Multinational Enterprise (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1969) for more information.

FDI has proven difficult to quantify. The most common indicator, Book Value, is a static balance of payments concept which includes re- as well as new investment. Neither it nor the indicator used in this study are really satisfactory; neither captures what we mean by FDI. However, the fact that the author has previously found a strong correlation between the Harvard project's indicator (new subsidiaries established) and the book value of U.S. manufacturing investment as of year end 1967 lends some confidence to the analysis.

[57]The sources for socio-economic variables used in the study are Charles L. Taylor and Michael C. Hudson, World Handbook of Political and Social Indicators, 2nd ed. (New Haven: Yale University Press, 1972); The United Nations Statistical Yearbook (New York: United Nations, various issues); World Bank, World Tables 1976 (Baltimore: Johns Hopkins Press, 1976).

[58]Income distribution data was obtained from Sahil Jain, Size Distribution of Income (Washington: The World Bank, 1975).

[59]All coefficients are significant at .01 or better unless otherwise noted.

[60]Four regions, Europe, Africa, Latin America, and Asia are quantified in a set of four 0-1 dummy variables.

[61]See Montek S. Ahluwalia, "Inequality, Poverty, and Development," Journal of Development Economics, 3 (1976): 1-36.

[62]See Stephen J. Kobrin, "The Environmental Determinants of Foreign Direct Investment: An Ex-Post Empirical Analysis," Journal of International Business Studies, Fall 1976.

[63]Total numbers of subsidiaries in each classification through 1966 and 1975 are reported as follows:

1966			1975		
Low Adv.	High Adv.	Total FDI	Low Adv.	High Adv.	Total FDI
777 (57)	575 (43)	1352 (100)	1226 (57)	914 (43)	2140 (100)

[64]See J. David Richardson, "On Going Abroad: The Firm's Initial Foreign Investment Decision," Quarterly Review of Economics and Business, Winter 1971, for a discussion of the effect of geographical and cultural distance on the FDI discussion.

[65]Correlations of non-normalized indicators of FDI and consumption, for 1966, are as follows:

	Total FDI	Low Adv.	High Adv.
Consumption	.52	.50	.54

(all coefficients are significant at the .01 level).

[66]Countries were divided into two groups based upon scores on the indicator of consumption. The point of division was the nearest natural break point to the median. There are 26 cases in Group 1 (low consumption) and 22 in Group 2.

[67]Discriminant analysis provides a means for distinguishing statistically between two (or more) groups of cases. A discriminant function--a weighted linear combination of previously selected independent or discriminating variables--which maximizes the separation of the groups. The Discriminant sub-program of the Statistical Package for the Social Sciences is used in this analysis.

[68]It must be noted that judging the accuracy of a discriminant function on the basis of its ability to classify correctly cases which were used to derive that function is problematic at best. Given a sufficient number of cases, one would prefer to utilize a portion of the cases to derive the function and the remainder to check its accuracy.

[69]Utilizing a stepwise discriminant analysis which calculated an F ratio for each variable given those variables already included in the function resulted in a two variable function composed of GNP/C and HIGHADV. (F to enter was set at 1.5.) Their coefficients were .90 and .17 respectively, and the canonical correlation coefficient was .78.

[70]While consumerism is positively correlated with development, there is no indication of a convergence to a uniformly high level of per capita expenditure in advanced industrial societies. On the contrary, previous research has indicated an increase in the variation of this indicator at higher levels of industrialization. See Stephen J. Kobrin, "Industrialization and Variation in Social Structure: An Empirical Test of the Convergence Hypothesis," Proceedings of the Industrial Relations Research Association, 1976.

[71]Bill Warren, "Imperialism and Capitalist Industrialization," New Left Review, 81 (1973): 3-44.

[72]For an analysis of entry controls imposed by poor countries on FDI see Richard D. Robinson, National Control of Foreign Business Entry (New York: Praeger Publishers, 1976).

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